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PARAMOUNT HOME ENTERTAINMENT INC.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA
(Richmond Division)**

In re

CIRCUIT CITY STORES, INC., *et al.*,

Debtors.²

Case No.: 08-35653-KRH
(Jointly Administered)

Chapter 11

**JOINDER OF PARAMOUNT HOME ENTERTAINMENT INC.
TO MOTIONS OF PIONEER ELECTRONICS AND
SAMSUNG ELECTRONICS AMERICA, INC. FOR ORDER REQUIRING
CONFIRMATION DEPOSIT UNDER FED. R. BANKR. P. 3020(a)**

¹ Orders granting *pro hac vice* admission for Messrs. Stern and Tuchin and Ms. Elliott (f/k/a Korin A. Avelino) were entered by the Court on July 24, 2009. See Docket Nos. 4279, 4280, and 4281.

² The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSSstuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512).

Paramount Home Entertainment Inc. (“Paramount”), creditor and holder of an administrative expense claim in the cases of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) hereby joins in the *Motion of Pioneer Electronics Under Fed. R. Bankr. P. 3020(a) for Order Requiring Confirmation Deposit* [Docket No. 5461] and *Samsung Electronics America, Inc.’s Motion Under Fed. R. Bankr. P. 3020(a) for Order Requiring Confirmation Deposit and Joinder to Motion of Pioneer Electronics for Same* [Docket No. 5614] (together, the “Pioneer and Samsung Motions”) and respectfully requests that the Court enter an order under Rule 3020(a) of the Federal Rules of Bankruptcy Procedure requiring the Debtors to put into escrow all of the funds necessary to pay all claims required to be paid on the effective date of the Plan.

I. **BACKGROUND**

On November 10, 2008 (the “Petition Date”), the Debtors, filed voluntary chapter 11 petitions in this Court.

In the ordinary course of business, prior to the Petition Date, Paramount regularly received orders from and shipped goods to the Debtors. As of the Petition Date, the Debtors had received many goods from Paramount for which the Debtors had not yet paid, resulting in a substantial pre-petition debt. Paramount has asserted the following claims and rights to payment against the Debtors:

1. A section 503(b)(9) claim,³ Claim No. 1009, in the amount of \$3,133,634.57.
2. A reclamation claim, which may be denominated as one for conversion of or an *in rem* claim to the proceeds of the goods subject to reclamation⁴ for

³ Although there are legally significant statutory differences between claims under sections 501 and 502 and rights to payment under section 503, in the interest of linguistic simplicity, Paramount will refer to a right to payment under section 503(b)(9) and other administrative expenses as claims.

⁴ The Debtors sought to reclassify Paramount's claim arising from its right of reclamation as a general unsecured claim. *See* Docket No. 3703. Paramount opposes any such reclassification. That matter has not yet been decided by this Court.

\$11,600,840.04. This amount is inclusive of the amount entitled to priority pursuant to section 503(b)(9), although obviously Paramount does not seek a double recovery.

3. A general pre-petition claim, Claim No. 9681, for \$16,497,463.67 less amounts which are allowed in connection with the reclamation claim and the section 503(b)(9) claim.

On September 29, 2009, the Debtors filed an Amended Joint Plan of Liquidation [Docket No. 5124] (the “Plan”). In the Disclosure Statement describing the Plan [Docket No. 5030] (the “Disclosure Statement”), the Debtors state that, under the Plan, they may not be able to pay all administrative and priority claims in full. *See* Disclosure Statement, at Section X.C.

On October 13, 2009, the Debtors filed an objection in which they sought an order temporarily disallowing part of Paramount’s section 503(b)(9) claim and the claims of many other administrative creditors on the basis that the creditors were recipients of allegedly avoidable preferential transfers. *See* Docket No. 5216. The Debtors have filed other such omnibus objections seeking the disallowance of large amounts of administrative expense claims. *See, e.g.,* Docket No. 5214.⁵ Paramount believes that the Debtors’ motivation in bringing such objections may be to drive down the estimated value assigned to administrative expenses in order to satisfy the requirements for confirmation, including *inter alia* Bankruptcy Code section 1129(a)(9)(A).

II. **REQUEST FOR RELIEF AND JOINDER**

Paramount joins in the Pioneer and Samsung Motions seeking an order from the Court under Rule 3020(a) of the Federal Rules of Bankruptcy Procedure requiring the Debtors to put into escrow all of the funds necessary to pay all claims and expenses

⁵ The Debtors also objected and sought to reclassify Paramount's claim arising from its right of reclamation as a general unsecured claim. *See* Docket No. 3703. Paramount has opposed any such reclassification. That matter has not yet been decided by this Court.

entitled to be paid on the effective date, including all section 503(b)(9) administrative expense claims, and incorporates those motions as though fully set forth herein.

Paramount submits that such an order is necessary given the Debtors' strategy to delay payment of a substantial amount of administrative expense claims and the Debtors' own admission that they may be administratively insolvent.

III. **CONCLUSION**

Paramount requests that the Court enter an order requiring the Debtors to deposit the funds necessary to pay all claims required to be paid on the effective date of the Plan.

Respectfully submitted,

DATED: November 13, 2009

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CERTIFICATE OF SERVICE

I, Korin A. Elliott, hereby certify that a true and correct copy of the foregoing *Joinder of Paramount Home Entertainment Inc. to Motions of Pioneer Electronics and Samsung Electronics America, Inc. for Order Requiring Confirmation Deposit Under Fed. R. Bankr. P. 3020(a)* has been served upon the parties listed below via overnight courier on this 13th day of November, 2009.

/s/ Korin A. Elliott

Korin A. Elliott (kelliott@ktbslaw.com)

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